

Governor Romney's 2005 Budget Recommendation

Governor's Message

Over the last year, we took action to reform government and to make it more responsive to the people of Massachusetts. We restructured bureaucracies and eliminated longstanding duplication. We refused to pass along our financial problems to the citizens. Instead, we produced a balanced budget on time and without raising taxes.

My FY05 Budget Recommendation continues on the same path to reform, and I'm pleased to present it to you once again in an easily readable, online format.

A year ago, our state was facing a fiscal crisis. Today, the state of our Commonwealth is much stronger. With purpose and determination, we're moving again in the right direction.

We still face hard choices. But, if we stay on the road of reform, placing the interests of people first, we can do some good things this year.

In my budget, I have outlined a *Legacy of Learning* initiative to improve public education in Massachusetts. This program will allow us to build more schools, target resources to the bottom tenth of our school districts and give our top-performing MCAS scorers free tuition at our public colleges and universities.

Overall, my total budget for K-12 education grows by over \$100 million. Higher education grows by over \$70 million. I am also proposing a modest increase in local aid.

In FY05 we are increasing Health and Human Services spending by approximately \$500 million or 5%. Some say that's not enough, but it reflects the necessary reforms

introduced in FY04 which have slowed the rate of growth of this part of our budget. We will continue to be one of the most generous states in the country when it comes to providing for those in need.

Now, you may ask, how can we do these things in such difficult financial circumstances? We can do these things because we will keep marching down the road to reform. When we eliminate waste in government, we can do more for people.

I'll ask the Legislature - again - to merge the Massachusetts Turnpike Authority with the Highway Department. That alone will save over \$20 million a year and another \$190 million in one-time money. Our choice is this: Do we waste \$20 million of taxpayer money every year on two highway departments or do we invest in scholarships, schools and teachers? Let's choose our children.

There are many other areas ripe for reform.

The cost of construction in Massachusetts for schools and other municipal and state buildings is 20 percent higher than that in other states, even adjusting for our higher wages. This excess is due to burdensome construction and bidding rules. Modernize these provisions and we can afford to build more schools with the money we save.

We need to reform state and municipal employment practices as well. Right now, we virtually prohibit any private employer from competing for state work: state workers are given a monopoly. And monopolies mean inefficiency, waste and excess.

In addition to reform, my budget continues to pare back programs I believe are unnecessary, prone to abuse or simply lower priority.

I'm optimistic about our future. As the Legislature begins its debate over the budget for the coming fiscal year, let's keep in mind that we can make critical investments in our schools and our children if we have the will to make needed reforms to the way state government does business.

We started down the road to reform last year. This is no time to take our foot off the gas pedal. The people who elected us deserve the best government we can give them.



Executive Summary - Overview

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The Governor's FY05 Budget Recommendation adheres to the principle that fiscal responsibility with reform can maintain budgetary balance without raising taxes. This budget proposes new investments in education, covers escalating healthcare costs, and outlines necessary reforms, such as:

- Creating a single highway department by combining the MassPike and MassHighway operations.
- Building local schools by refinancing the School Building Assistance program.
- Lowering the cost of public building by changing the way construction projects are handled.
- Improving service quality by putting the public interest ahead of union and other special interests.

Reform means we can protect local aid from cuts, and eliminate reliance on reserves and higher fees. In addition, this budget rejects financial fads like deficit financing and tobacco

securitization.

Trends

Total estimated spending in FY05 is \$22.979 billion versus \$21.886 billion this fiscal year. Some areas, like Medicaid and debt service, will increase more than others. In fact, half the budget will grow at 7% while the remainder will stay relatively flat, yielding a 5% average budget increase, as shown in the table below.

FY04-FY05 Budgeted Spending by Major Area (\$ millions)

Major Area	FY04 Projected Spending	FY05 House 1A	\$ Variance	% Change FY04-FY05	% of FY05 House 1A
Medicaid	6,197	6,693	496	8.0%	29.1%
K-12 Education	3,496	3,611	115	3.3%	15.7%
Debt Service	1,597	1,772	176	11.0%	7.7%
Subtotal of the above	11,290	12,077	787	7.0%	52.6%
Subtotal of all other	10,596	10,902	306	2.9%	47.4%
Total	\$21,886	\$22,979	\$1,093	5.0%	100.0%

The sustainability of this spending mix - more health, debt and education costs, but less of everything else - is under constant vigilance, and underscores the imperative for reform.

What's Different in FY05

Various changes impact the presentation of this budget.

- Funding for School Building Assistance has been moved from the operating to the capital budget; as a result, the previous appropriation under the Department of Education has been replaced with a debt service appropriation under the Executive Office for Administration and Finance.
- Pursuant to a consensus agreement with the legislature, funding for the state's pension system is accounted for using an "off-budget" method; while costs will rise 77% to \$1.217 billion in FY05, the impact is a reduction in revenue, not an increase in a line-item appropriation (see chart in Revenues section).

Revenues

By consensus, tax revenue will be \$15.801 billion in FY05, reflecting a modest economic recovery. In addition to the consensus forecast, \$70 million is anticipated from closing certain tax loopholes, including untaxed transactions of corporate assets, and sales taxes on promotional materials and out-of-state purchases.

FY04-FY05 Tax Revenue Estimate (\$ millions)

	FY04 Projected	FY05 House 1A	\$ Variance	% Change
Total Tax Estimate	15,230	15,871	641	4.2%
Amount for MBTA	(684)	(684)	0	0.0%
Amount for Pensions	(687)	(1,217)	-530	77.0%
Available for Budget	\$13,858	\$13,970	\$111	0.8%

Other revenue sources include the lottery, fees and federal reimbursements.



Executive Summary - Legacy of Learning

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K-12 Education and Local Aid

The Governor's Budget guarantees that every school district is able to meet its minimum foundation funding level with a \$72 million increase over FY04 in direct "Chapter 70" local aid to schools. In addition, no community with an operating school district will see any year-to-year reduction in direct allocations of state aid. Overall,

local aid increases 1.7%. Additional local aid information based on the Governor's Budget, for individual cities and towns, is available at <http://www.mass.gov/dls/CHERRY/>

FY04-FY05 Local Aid

Local Aid - Section 3	FY04 Projected Spending	FY05 H1A	% Change
Additional Assistance	379,767,936	379,767,936	0.0%
Lottery Distribution	661,378,162	661,378,162	0.0%
Chapter 70 Education Aid	3,108,140,588	3,180,748,022	2.3%
Total	\$4,149,286,686	\$4,221,894,120	1.7%

New Initiatives

Legacy of Learning, a collection of new initiatives, forms the cornerstone of the Governor's Budget this year. Administered by the Department of Education (DOE), this new investment of \$44 million will help boost overall DOE spending by 3.3%, as shown below.

FY04-FY05 K-12 Department of Education Spending*

Description	FY04 Projected Spending	FY05 H1A	% Change
Chapter 70 Education Aid	3,108,140,588	3,180,748,022	2.3%
Legacy of Learning & all other, *excluding SBA program	388,208,018	430,620,018	10.9%
Total Department of Education	\$3,496,348,606	\$3,611,368,040	3.3%

John and Abigail Adams Scholarship

A new *John and Abigail Adams Scholarship Program* awards the top 25% of Commonwealth high school seniors (measured by statewide MCAS scores taken by the end of junior year) with free tuition to the University of Massachusetts, or to any state or community college. In addition, the top 10% receive a \$2,000 bonus to help cover additional campus expenses. Reimbursement to higher education campuses for tuition and fees is administered through line item [7077-0025](#).

This merit-based program requires full-time study (up to four years) and is contingent upon maintaining at least a 3.0 grade point

average. Parochial and private school students who take the MCAS exam at their own expense are also eligible to participate.

School Building Assistance Reform

Our historic Commonwealth contains many old buildings, and local schools are no exception - the average school was built during the Eisenhower administration. A state and local government partnership, called the School Building Assistance program, now reimburses the construction or rehabilitation of over 750 buildings. But success has resulted in an unsustainable explosion in demand and a long waitlist - now 420 projects valued at \$4 billion.

Fiscal constraints, exercised through a moratorium, halt new projects and delay reimbursements to ones already completed. The Governor's Budget reforms the School Building Assistance program, clears the waitlist by FY09, and honors all prior commitments made to cities and towns.

Projects Currently Receiving Reimbursement (748 Projects)

Under the current program, cities and towns with a school project borrow for the entire cost of the project. The Commonwealth then reimburses its share, 71% on average, in a series of annual payments. In essence, municipalities borrow on behalf of the Commonwealth and the Commonwealth reimburses its portion of the municipality's debt service.

Under the Governor's proposal, the Commonwealth will take advantage of historically low interest rates to refinance its share of reimbursement payments to cities and towns, extending borrowing from 20 years to 40 years to better match the useful life of school buildings. Newly issued state debt will retire all remaining local obligations (determined by the present value of all remaining payments). Since the state will deposit its share into a local escrow account, municipalities will avoid the uncertainty of future appropriations. In addition, a single bond issuance will save the

Commonwealth at least \$150 million in FY05.

Projects on the Waitlist (420 projects)

The single issuance savings of \$150 million will accelerate waitlist clearance to as early as FY09 if proposed construction reforms are simultaneously adopted. Reimbursement rates and sequencing originally promised by the Department of Education remain unchanged. [Click for a School Construction Grant Schedule.](#)

Key Related Reforms

In addition to an innovative financial restructuring, a comprehensive solution to school building requires construction reform and future programmatic changes to be developed by an independent commission.

Simply put, construction reform lowers project cost and improves quality. Lower cost translates into more schools by accelerating the clearing of the waitlist.

The proposed commission, comprised of members from the executive and legislative branches, and local officials, must address long-term sustainability of the program.

The [School Building Assistance presentation](#) **PPT** contains additional information on this important reform.

Focus on Low-Scoring Districts

The lowest scoring districts and schools include the following 24 municipal districts, 5 charter schools, and 13 vocational technical high schools:

Municipal Districts	Vocational Technical High Schools

Boston Brockton Cambridge Chelsea Chicopee Fall River Fitchburg Greenfield Haverhill Holyoke Lawrence Lowell Lynn Malden New Bedford North Adams Salem Somerville Southbridge Springfield Wareham Webster Winchendon Worcester	Assabet Valley Blue Hills Cape Cod Regional Essex Agricultural Greater Fall River Greater Lawrence RVT Greater New Bedford Greater Lowell Northampton-Smith South Middlesex Southeastern Regional Upper Cape Cod Whittier
	Charter Schools
	Lawrence Family Dev. Charter School Boston Renaissance Charter School Seven hills Charter School Somerville Charter School Atlantis Charter School

These districts exhibit an unacceptable achievement gap: only 45% of first-try students pass the MCAS, compared with 77% statewide. Furthermore, while they represent less than a third of total enrollment, these districts struggle with the majority of performance issues, including:

- 54% of all tenth graders who fail the 2003 MCAS.
- 90% of students statewide who are not proficient in English.

Clearly, these communities need additional help. The Governor's Budget proposes \$20 million to provide 60 hours of individual or small group instruction by qualified teachers after school and during the summer for children in 4th through 8th grade, and similar assistance to 9th and 10th graders during regular school hours. This assistance complements the \$10 million for MCAS tutoring already appropriated in FY04.

Full-day Kindergarten

According to several studies, full-day kindergarten improves a child's school success, social skills, and achievement on standardized tests. Seven low scoring districts - Brockton, Fitchburg, Haverhill, Lynn, Southbridge, Wareham, and Winchendon - do not offer full-day kindergarten to all students. The Governor's Budget expands full-day kindergarten in these districts with \$9.9 million in new funding for teacher salaries, appropriate furnishings and equipment, and if needed, portable classroom space. This appropriation complements the \$23 million appropriated in FY04 for kindergarten development grants.

Disciplinary School Grants

Disruptive youth spoil learning opportunities for their peers, and make it difficult for teachers to focus on classwork. Five million dollars in new grants will help districts handle difficult student behavioral issues without distracting those focusing on their studies.

Parent Orientation and School Participation

Parent orientation - \$2 million

All parents of children enrolled in state-subsidized child care are already required to meet with an intake counselor every six months. For parents in these programs with children under five, \$1.7 million will provide individual parenting orientation sessions as an integral part of this mandatory process. Counselors trained in child development will share information with parents on what to expect at various stages of their child's development, how they can participate in their child's school, and what they can do to encourage their child to learn and grow.

These parents will also receive a guidebook developed by the Department of Education, the Office for Child Care Services and other organizations, to help them better understand what they can

do to help their child. The Governor's Budget includes \$300,000 to publish this guide in five languages for the parents of over 60,000 children.

School Participation Incentives

The Governor's Budget also provides \$2 million in grants for 29 low-scoring districts to boost parental participation through teacher/parent conferences, open houses, family nights, volunteer opportunities, and family outreach.

Math and Science Teachers

In some districts, over 50% of students are failing MCAS math. Improving our students' math and science skills is the best way to help them meet the challenges of today's economy. The Governor's Budget includes \$3 million for a number of initiatives aimed at improving students' math achievement by improving the math skills of current teachers, and retaining and recruiting new teachers.

The proposals include:

- \$1.46 million to expand the federally-funded Math and Science Partnership Program for teacher math and science skills.
- \$600,000 to fund a \$3,000 incentive for math and science teachers, with an enrollment goal of 200.
- \$500,000 for online self-diagnostic tools for math skills to help teachers assess their professional development needs.
- \$440,000 to fully fund third-year bonuses to 110 teachers in the Massachusetts Institute for New Teachers Program.

Management Support for Under-performing Districts

Under-performing districts need technical assistance and management support to turn their schools around. The Governor's Budget includes \$2 million for leadership and management training, performance management assistance, and curriculum review.

Charter School Expansion

Charter schools provide choices for families and introduce competition into our school system. Public charter schools in Massachusetts have shown impressive results in student MCAS performance and have expanded the array of rigorous and innovative programs available to students in the Commonwealth. Unfortunately, the current charter school cap puts this educational option out of reach for families in some communities.

The Governor's Budget removes these limits, thereby lifting restrictions on 152 school districts that are virtually prohibited from adding new charter schools under the current law.

The Governor's Budget also establishes charter school management organizations for multiple campus administration. Current law mandates that each charter school hold an individual license with separate boards and management. This unnecessary restriction makes the sharing of resources difficult, especially in smaller communities.

Higher Education

The Governor's budget increases higher education funding by \$75 million, or 9.6%, as shown below.

FY04-FY05 Higher Education

Higher Education Campuses	FY 04 Budget	FY 05 H.1A	Variance	% Increase
Community Colleges	190,311,906	203,071,859	12,759,753	6.7%
State Colleges	166,047,325	179,331,892	13,284,567	8.0%
Umass	327,764,464	371,410,986	43,646,522	13.3%
Other	100,286,910	105,769,028	5,482,118	5.5%
Total	\$784,410,605	\$859,583,565	\$75,172,960	9.6%

Note: While tuition is generally deposited to General Fund and not retained by the individual campuses, two campuses – Massachusetts College of Art and University of Massachusetts at Amherst – retain approximately \$30 million; this practice is continued in FY05

Unlike previous years, the distribution of new funds to individual state and community college campuses reflects a consensus formula based on objective criteria, including instructional costs driven primarily by enrollment and program needs, support staff

requirements, and physical plant costs.

The Governor's Budget also proposes new [merit-based scholarship aid](#).



Executive Summary - The Reform Imperative

[Transportation - \(Mass Turnpike Merger\)](#)
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Transportation - (Mass Turnpike Merger)

As the Central Artery/Third Harbor Tunnel project nears completion, we must embrace new thinking about the Commonwealth's transportation leadership, beginning with unified highway operations -- accomplished through the merger of the Massachusetts Turnpike Authority and the Massachusetts Highway Department.

The Turnpike is too small to exist as a stand-alone entity in the 21st century; it manages only 8% of state lane-miles, but spends more than 35% of all road-related operating cost. Top-heavy overhead generates losses every year in road operations. As a result, the Turnpike has raised cash by selling off important land holdings (such as Allston Landing) and by speculating on future interest rates. This speculation - called

swaptions on Wall Street - contributed to credit downgrades from independent credit ratings agencies.

Recent Turnpike actions have placed the entire statewide transportation plan in jeopardy. In addition, the once-in-a-century opportunity to re-envision 200 acres in central Boston will be squandered if delegated to the Turnpike without significant city or state involvement. A simple merger will bring this dysfunctional organization under constitutional control.

By sharing overhead and other management changes, the Commonwealth will save over \$20 million annually, all without any negative impact on road quality. The merger will also free up more than \$190 million that are no longer needed given the credit strength of the combined entity.

The [MassPike and Mass Highway Merger](#)  presentation contains additional information on this important reform.

Schools (School Building Assistance Program)

[School Building Assistance Program](#)

[School Building Assistance](#)  presentation

Public Construction

In public construction, Massachusetts experiences more delays and higher costs, even after adjusting for local wage rates and climate, than other states. The Governor's Budget outlines important steps to save at least 10% on vertical construction:

- Releasing state and municipal governments from unnecessary restrictions on procurement and delivery methods for complex projects.
- Eliminating the economic disadvantages of filed subcontractor bidding.

- Improving municipal project oversight with professional managers for construction over \$5 million.

Procurement and Delivery Methods

Current law mandates a so-called *design-bid-build* construction process where each phase must be completed before the next begins. Private sector experience shows that *design-build* methods dramatically reduce completion time for large, complex projects. Under *construction-manager-at-risk*, the state would be protected from unforeseen cost exposures. Recent evidence underscores the economic benefits of flexible building processes:

- Traditional *design-bid-build* at the Brooke Courthouse in Boston cost \$267 per square foot
- Flexible *design-build* for a courthouse in Brockton cost 25% less on an equivalent basis

Construction reform will strengthen, not weaken, anti-corruption efforts and Ward Commission reforms, such as:

- Designer Selection Board, which selects project designers devoid of political influence, remains in place
- Enhanced pre-qualification procedures
- Current laws that guard against corruption in public construction are unaffected, including false qualification sanctions, tight record-keeping requirements, and prohibitions against commercial bribery, economic extortion and fraud

Eliminate Filed Subcontractor Bidding

The complex process known as filed subcontractor bidding results in unacceptable delays and wasted money. Filed sub-bids require bids from 17 separate specialty trades as the first step in construction; when a general contractor is then hired, the subs are essentially pre-selected. Unlike private

construction, this bid process results in needless adversarial relationships with change orders, claims and delays.

Municipal Project Oversight

Local government may lack the expertise to effectively oversee school and other construction projects, which often results in waste and delay. Professional management is a needed component of modern construction methods.

Pensions

The state's pension system has loopholes that allow certain insiders to take advantage of the system, gain unreasonable and unfair benefits, and erode public confidence. The Governor's Budget ensures greater fairness and calculation transparency with the following prospective changes (current retirees are not affected):

- A pension cap, based on earnings over an employee's entire career, to eliminate gaming over salary and timing differences.
- Reforms that eliminate unreasonable benefits.
- A requirement to fully fund any new liability within three years.

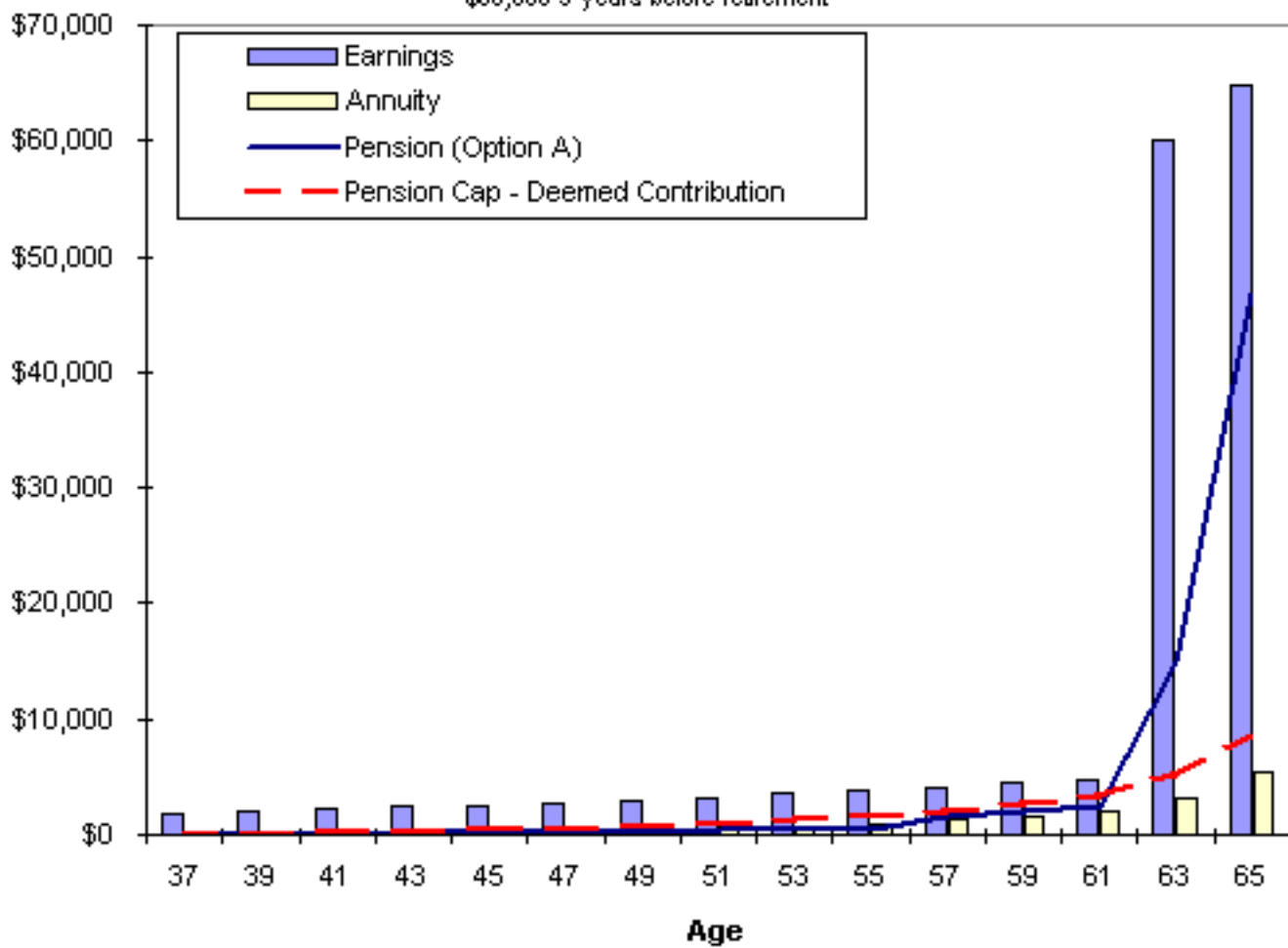
Pension Cap

Retirement benefits for most public employees will be capped at the value of the lifetime annuity an employee could buy, assuming a contribution to the pension system of 15% of earnings, plus interest, throughout his or her entire career. Group 2 employees will have an assumed contribution of 17.5%. For Group 4 employees who work mostly in public safety and receive more generous retirement benefits, the cap will be based on an assumed 20% contribution. State police, whose pension calculation works differently than others, are excluded from the cap.

These reforms will curtail a few excessive pensions but will not affect the vast majority of public employees; the cap will allow pensions of up to three times the annuity value of an employee's pension contributions plus a generous rate of interest. Only employees with unusual pension contribution patterns, such as those who receive a spike in salary at the end of their career in government will be affected by the cap. A dramatic example - a long-term, part-time municipal official who gets a full-time government position at the end of his career - is illustrated below.

Comparison of Annuity, Pension, and Pension Cap with Sudden Earnings Increase

Group 1, 30 years service retiring at 65, contributing 9% + 2% of pay, pay rises from \$5,000 to \$60,000 3 years before retirement



Unreasonable Benefits

Gaming the pension system to achieve unreasonable benefits undercuts the public interest. The Governor's Budget:

- Clarifies that perks, such as cars and housing allowances, do not add to pension benefits;
- places certain terminated employees and elected officials (under 55 with 20 or more years of service) on the same benefit calculation as other employees
- eliminates the "January 1" loophole that grants a year of pension credit to elected officials for a single day of service;
- puts economic fairness into "buy back" provisions by charging accrued market-rate interest over the buy back time period; and
- pro-rates pension benefits, based on time in Group 1, 2, or 4.

The consensus agreement on pension funding - a 2023 amortization date, end-of-year portfolio valuation, and other technical factors - becomes meaningless without discipline on the growth of future liabilities. For example, three recent early retirement incentive programs added over \$2 billion to the Commonwealth's unfunded pension liability. In FY05 those programs account for \$61-75 million of the required pension fund appropriation.

Pension Impact Statements

An additional reform - pension impact statements - will insure that new liabilities created by future changes to or exceptions from the pension law will be fully funded within 3 years, forcing accountability on all new pension proposals.

Workforce

Public employee unions in Massachusetts enjoy a special monopoly status. The result is, in effect, two states within a

state. One - the private and non-profit sector - enjoys fair competition and the benefits of an open market; workers freely elect to join unions only about 10% of the time. In contrast, state and local government is a labor monopoly of rigid work rules; devoid of incentives or performance standards; workers must follow union agreements and pay dues (except for elected officials and their immediate staff).

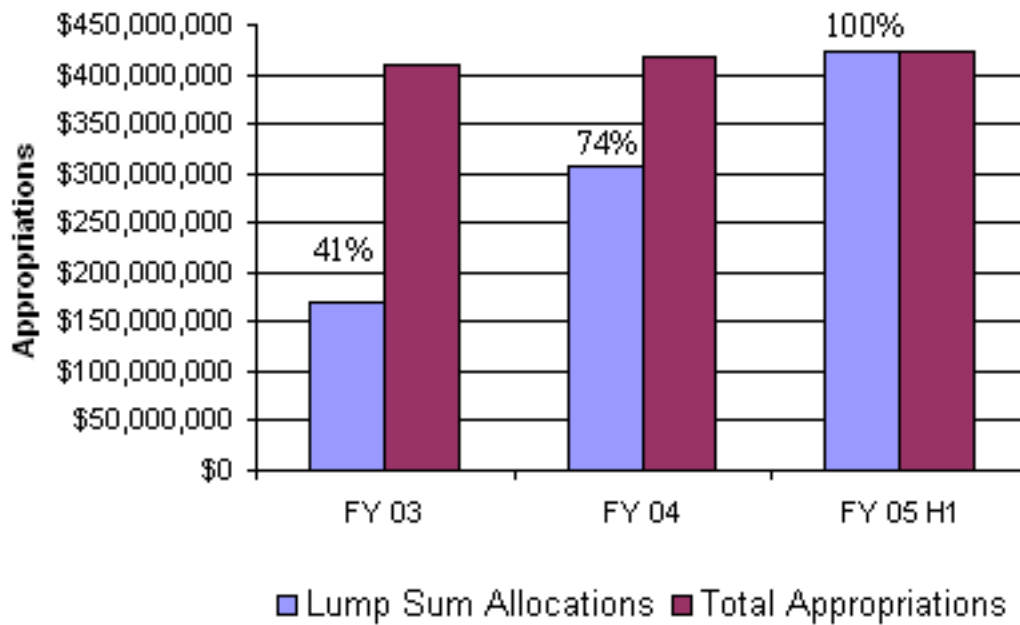
No explicit savings from workforce-related reforms are counted in balancing the FY05 budget. Yet the imperative for reform is compelling. Governmental affairs must re-establish a healthy balance between public servants and the citizens they work for. The Governor's Budget:

- Eliminates managerial conflict of interest by clearly delineating union and supervisory positions.
- Encourages private sector competition while preserving safeguards for state employees.
- Limits civil service to public safety employees.

Courts

Budgetary appropriations for the Judiciary remain too fragmented despite some reforms adopted in FY04. The Governor's Budget promotes additional management flexibility and also identifies over \$1 million in savings by consolidating the Boston Municipal Court and District Courts' administrative functions.

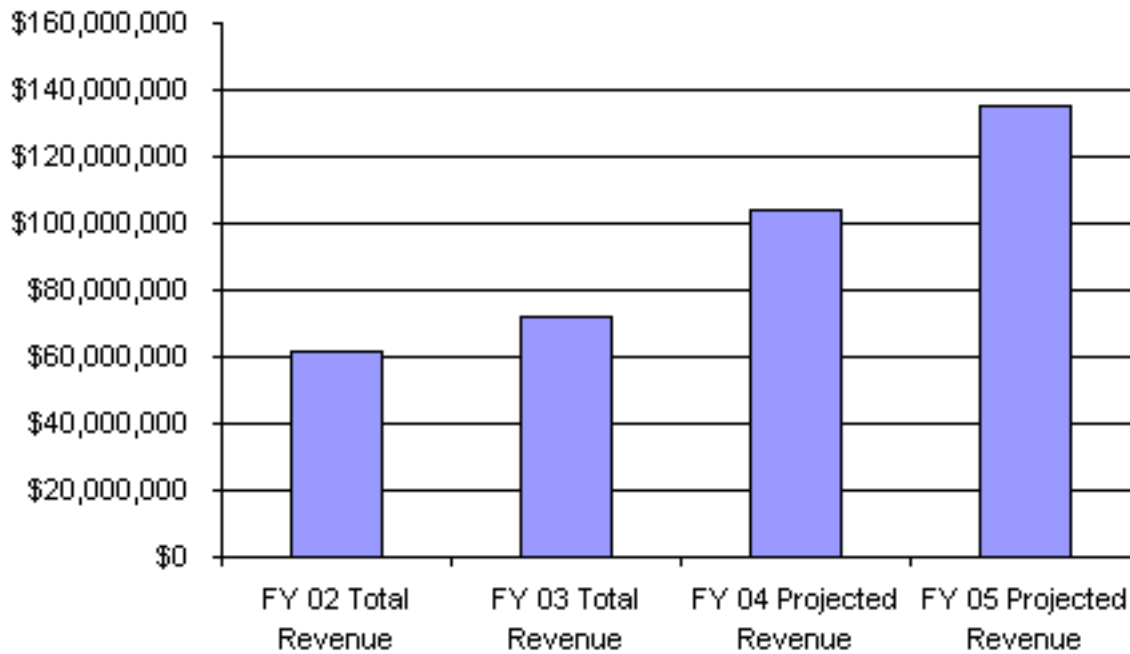
Increase in Managerial Flexibility through Consolidated Appropriations



In FY05, court operating and capital plans will become more integrated. For example, a new Worcester court with consolidated Superior, District, Family, Probate, and Juvenile operations will substantially reduce costs in the future.

The Governor's Budget also accelerates incentives for fee collection that have already proven to be highly effective this year. For example, Trial Court collections in FY04 are expected to increase by 40%, a \$30 million improvement over FY03. In FY05, an additional \$27 million is forecast by implementing these proven incentives.

Trial Court Revenue History



The Governor's Budget also includes incentives for the Committee for Public Counsel Services to keep the fair market value of legal services provided to clients who have fraudulently claimed indigence. This results in a \$3 million savings to the taxpayer.

Massachusetts's taxpayers will spend an estimated \$75 million this year on lawyers for indigent defendants in criminal cases. While there is currently a requirement for defendants to pay a small amount for these services based on income, the process for determining the amount is onerous and routinely ignored. The Governor's Budget includes an innovative reform to help ensure that an appropriate fee is collected from every client who can afford to pay one. Moving to a defined compensation payment system for outside lawyers is projected to save \$15 million in FY05.

Finally, the Massachusetts Legal Advisors Corporation, Massachusetts Correctional Legal Services, and Mental Health Legal Advisors will be consolidated.



Executive Summary - Additional Priorities

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[New State Police Classes](#)

[DNA Crime Lab and Forensics](#)

Homelessness and Housing Assistance

This year, the Governor's Commission on Housing and Homelessness recommended a focus on self-sufficient permanent housing. A new program - Shelter-to-Housing (line item [4403-2120](#)) - will assess homeless families, develop a work plan, oversee application for federal and state aid programs, and provide temporary transitional housing assistance directly to the landlord or provider.

Another priority is finding appropriate housing for mentally ill individuals. Typically 100 adults on any given day prepare to be discharged from mental health inpatient units. These clients, many of them formerly homeless, are unable to pay for security deposits and basic furniture, which poses an insurmountable barrier to permanent housing. The Governor's Budget includes \$3 million (line item [5046-0000](#)) to leverage federal aid to support the following programs:

FY05 Additional Federal Aid Leveraged for Homeless (\$millions)

	Governor's FY05 Budget	Additional Federal Grants Leveraged	Total new FY05 Funding
Support Services for Homeless/Mentally Ill	2.50	6.00	8.50
Rental Assistance	0.50	1.50	2.00
Total	\$3.0	\$7.5	\$10.5

Neediest Children

Since 1998, DSS has lost 800 foster homes, so many children are temporarily placed in sub-optimal institutional settings. To address this problem, foster care rates will be raised 11.3% and expedited recruiting will concentrate on support and family outreach. Funding for these changes is included in line item [4800-0038](#).

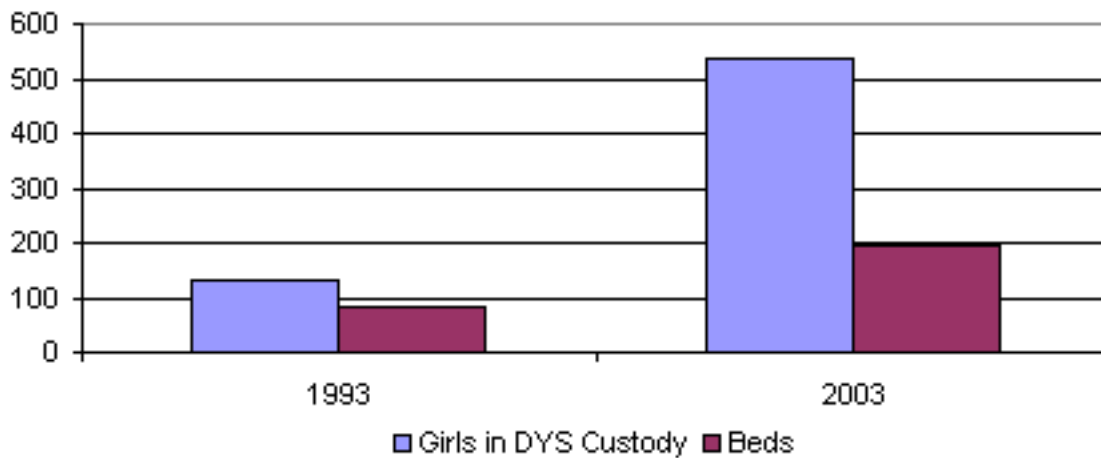
FY05 Foster Care Proposals

Program	FY05 Proposal
Foster Care Daily Subsidy	4,633,045
Adoption/Guardianship Subsidy	260,114
Foster Care Recruitment Teams	470,000
Stipends for 28 Foster Parent Ambassadors	168,000
Total	\$5,531,159

To minimize the inappropriate over-prescription of psychiatric drugs to mentally ill children, the Governor's Budget provides \$2.65 million in line item [5042-5000](#) for new consultation teams, comprised of child psychiatrists and psychologists. Modeled after a successful pilot program in Central Massachusetts, the teams will answer pediatricians' prescribing questions, assist families in understanding and accessing psychiatric services, and arrange for more timely consultations with child psychiatrists.

Over the past 10 years, the number of girls committed by the courts to the custody of the Department of Youth Services (DYS) has nearly quadrupled, while the number of beds available for DYS girls has only slightly more than doubled.

Girls in DYS Custody vs. Number of Beds



The Governor's Budget includes additional funding for this area in line item [4200-0300](#).

FY05 Mental Health Services for DYS Girls

Program	FY05 Proposal
Independent Living Program	750,000
Clinically Intensive Stabilization Unit	650,000
Improved Clinical Staff Capacity	368,000
Community-Based Treatment	187,500
Female Services Coordinator	55,000
Total	\$2,010,500

Welfare to Work

New federal proposals broaden the scope of welfare to work requirements. To help ease the transition, the Governor's Budget:

- Increases work requirements from 20 to 24 hours per week for families with children aged 2-5, and 34 hours per week for families with school-age children.
- Customizes work placement for those with learning disabilities, mental disabilities, and/or physical disabilities.
- Provides employment and training for TAFDC clients with disabilities.
- Improves the identification and treatment of substance abuse.

- Provides transportation to help recipients get to and from work, training, and child care.

FY05 Welfare to Work Summary

Programs	FY05 Proposal
Assistance to Disabled Recipients (4401-1000)	7,000,000
Job Search (4401-1000)	5,981,299
Enhanced Education and Training (4401-1100)	3,000,000
Substance Abuse Treatment (4401-1000)	2,000,000
Transportation (4401-1000)	1,000,000
Child Care (4130-3050)	781,213
Total	\$19,762,512

Counter-Terrorism Unit

A dramatic upgrade of the State Police Counter Terrorism Unit will centralize and improve intelligence-gathering efforts. The Governor's Budget includes \$2.7 million for the following enhancements in line item [8100-0000](#):

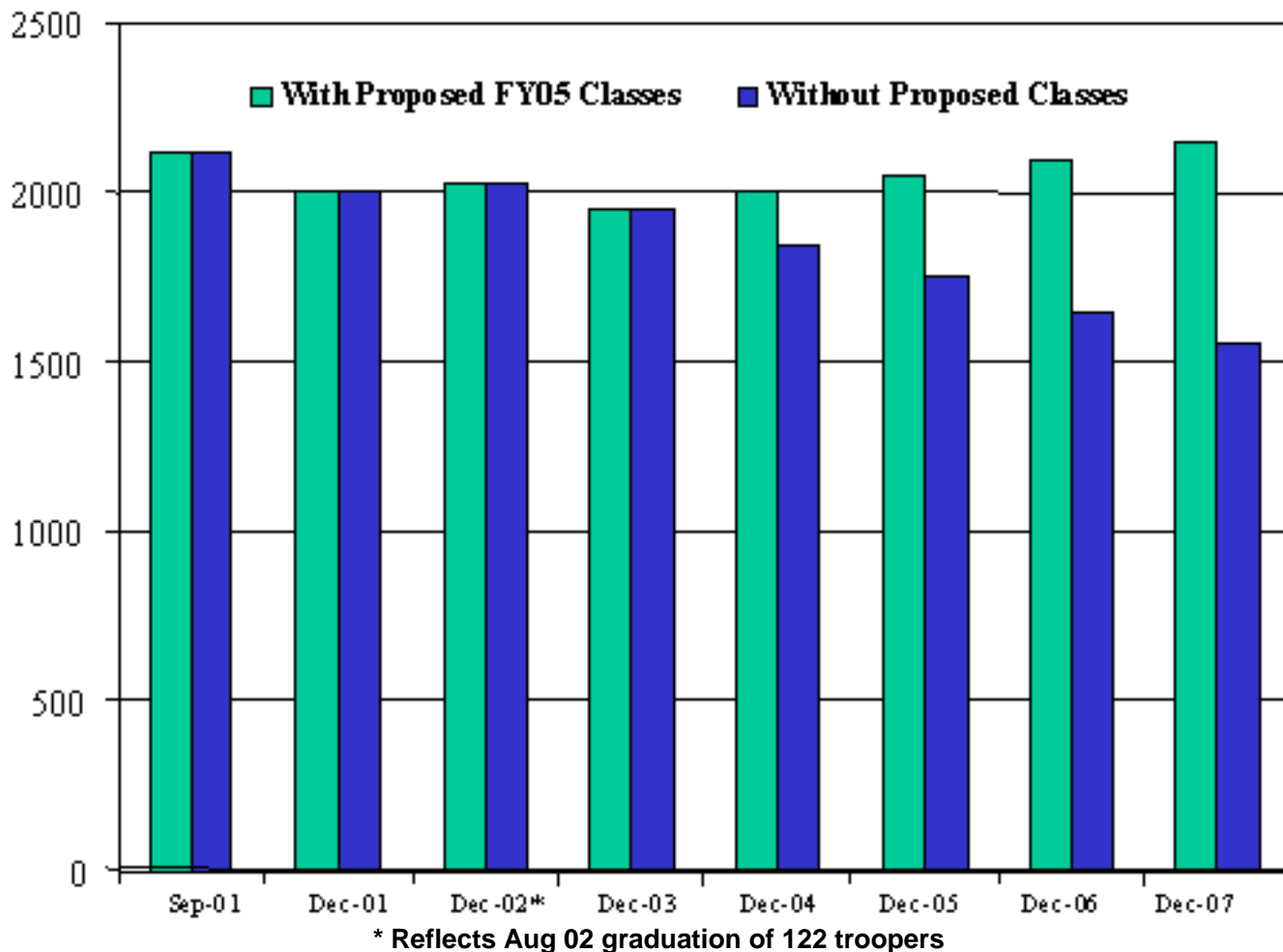
- 8-12 assigned troopers
- 24/7 intelligence coverage
- 15 new research analysts to process and analyze data
- A state-of-the-art intelligence database
- Enhanced training

This funding will also complement a \$5 million grant from the federal Department of Homeland Security.

New State Police Classes

To address a decline in the number of uniformed troopers, due mostly to retirements, the Governor's Budget allocates \$11 million for two new classes, each consisting of 150 troopers (line item [8100-0515](#)):

State Police Force Since 9/11/01



DNA Crime Lab and Forensics

Massachusetts, with its biotechnology expertise, should be at the forefront of forensic science. The Governor's Budget adds \$4.15 million to enhance crime and DNA analysis at the Office of the Chief Medical Examiner and the State Police. New funding of approximately \$2 million will expand the State Police Crime Laboratory capacity (line item [8100-0000](#)), and \$2.1 million for the Chief Medical Examiner's Office (line item [8000-0105](#)) will facilitate the 3,000 forensic autopsies and 1,000 post-mortem examinations conducted annually.



Executive Summary - FFY03 - FY05 Balance Sheets

FISCAL YEAR 2003

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	LOCAL AID FUND	HIGHWAY FUND	OTHER FUNDS
FISCAL YEAR 2003 BEGINNING BALANCES					
Undesignated Fund Balance	311.0	1,686.0	(1,147.4)	(466.9)	239.3
Stabilization Fund Balance	881.8	0.0	0.0	0.0	881.8
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	195.2	83.1	28.3	28.3	55.5
SUBTOTAL, FISCAL YEAR 2003 BEGINNING BALANCES	1,388.0	1,769.1	(1,119.1)	(438.6)	1,176.6
REVENUES AND OTHER SOURCES					
Taxes	14,279.6	8,644.1	4,785.6	578.5	271.4
Federal Reimbursements	4,523.6	3,479.8	0.0	2.0	1,041.8
Departmental Revenue	1,494.8	907.6	0.6	416.7	169.8
Consolidated Transfers	1,689.2	920.9	875.5	(94.7)	(12.5)
SUBTOTAL, FISCAL YEAR 2003 REVENUES	21,987.2	13,952.5	5,661.7	902.4	1,470.6
TOTAL, FISCAL YEAR 2003 AVAILABLE RESOURCES	23,375.2	15,721.6	4,542.6	463.9	2,647.2
EXPENDITURES AND USES					
Direct Appropriations	21,916.8	13,096.9	5,741.2	1,087.4	1,991.3
Balances Forward for Continuing Appropriations	169.0	83.1	28.3	2.2	55.5
Authorized Spending from Retained Revenue	204.6	178.1	0.0	3.0	23.6
Lottery Distributions to Cities and Towns	778.1	0.0	778.1	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2004	(50.5)	(49.5)	(0.0)	(1.2)	0.2
Anticipated Reversions	(579.0)	(214.2)	(202.6)	(30.5)	(131.7)
TOTAL, FISCAL YEAR 2003 EXPENDITURES	22,439.1	13,094.4	6,345.0	1,060.9	1,938.8
END OF FISCAL YEAR RESERVED BALANCES					
Reserved for Continuing Appropriations	50.5	49.5	0.0	1.2	(0.2)

Reserved for Continuing Appropriations	50.5	49.5	0.0	1.2	(0.2)
Designated for Debt Service	26.1	0.0	0.0	26.1	0.0
FISCAL YEAR 2003 UNDESIGNATED FUND BALANCE	859.4	2,577.6	(1,802.4)	(624.4)	708.5
Balances Reserved in Other Budgeted Funds	(708.5)	0.0	0.0	0.0	708.5
STATUTORY CARRY FORWARD TO FY2004	75.2				
FISCAL YEAR 2003 SURPLUS	75.7				
FISCAL YEAR 2003 ENDING BALANCES					
Undesignated Fund Balance	218.0	2,520.1	(1,820.6)	(624.4)	142.8
Stabilization Fund Balance	641.3	0.0	0.0	0.0	641.3
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	76.7	49.5	0.0	27.3	(0.2)
TOTALS, FISCAL YEAR 2003 ENDING BALANCES	936.0	2,569.6	(1,820.6)	(597.1)	784.1

FISCAL YEAR 2004

PROJECTED FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	HIGHWAY FUND	STABIL. FUND	OTHER FUNDS
FISCAL YEAR 2004 BEGINNING BALANCES					
Undesignated Fund Balance	34.3	698.4	(623.3)	0.0	(40.9)
Stabilization Fund Balance	641.3	0.0	0.0	641.3	0.0
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	76.8	50.7	26.1	0.0	0.0
SUBTOTAL, FISCAL YEAR 2004 BEGINNING BALANCES	752.4	749.1	(597.1)	641.3	(40.9)
REVENUES AND OTHER SOURCES					
Taxes	13,858.3	13,426.3	306.0	0.0	126.0
Federal Reimbursements	5,282.7	4,531.2	2.5	0.0	748.9
Departmental Revenue	1,805.2	1,324.6	436.9	5.4	38.3
Consolidated Transfers	1,287.7	1,786.6	(65.7)	(113.5)	(319.8)
SUBTOTAL, FISCAL YEAR 2004 REVENUES	22,233.9	21,068.8	679.8	(108.1)	593.3
TOTAL, FISCAL YEAR 2004 AVAILABLE RESOURCES	22,986.3	21,817.9	82.6	533.2	552.5
EXPENDITURES AND USES					
Direct Appropriations	20,819.6	19,402.8	825.6	0.0	591.2
Balances Forward for Continuing Appropriations	52.5	51.4	1.1	0.0	0.0
Authorized Spending from Retained Revenue	255.9	252.3	3.6	0.0	0.0
Letterary Distributions to Cities and Towns	658.4	658.4	0.0	0.0	0.0

Authorized Spending from Retained Revenue	255.9	252.3	3.6	0.0	0.0
Lottery Distributions to Cities and Towns	661.4	661.4	0.0	0.0	0.0
Contingency Reserve	256.8	256.8	0.0	0.0	0.0
Target Savings	0.0	0.0	0.0	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2005	0.0	0.0	0.0	0.0	0.0
Anticipated Reversions	(160.0)	(160.0)	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2004 EXPENDITURES	21,886.1	20,464.6	830.3	0.0	591.2
END OF FISCAL YEAR RESERVED BALANCES					
Reserved for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service and FMAP Balance	165.1	0.0	26.1	0.0	139.0
Budgeted Inter-Fund Transfers	0.0	0.0	0.0	0.0	0.0
Non-Budgeted Fund Transfers	0.0	0.0	0.0	0.0	0.0
FISCAL YEAR 2004 UNDESIGNATED FUND BALANCE	935.0	1,353.3	(773.8)	533.2	(177.8)
Balances Reserved in Other Budgeted Funds	(544.3)	0.0	0.0	533.2	11.0
STATUTORY CARRY FORWARD TO FY2005	76.2				
FISCAL YEAR 2004 SURPLUS	314.6				
FISCAL YEAR 2004 ENDING BALANCES					
Undesignated Fund Balance	87.2	1,046.7	(773.8)	0.0	(185.8)
Stabilization Fund Balance	847.9	0.0	0.0	847.9	0.0
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	165.1	0.0	26.1	0.0	139.0
TOTALS, FISCAL YEAR 2004 ENDING BALANCES	1,100.2	1,046.7	(747.6)	847.9	(46.8)

FISCAL YEAR 2005

PROJECTED FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	HIGHWAY FUND	STABIL. FUND	OTHER FUNDS
FISCAL YEAR 2005 BEGINNING BALANCES					
Undesignated Fund Balance	87.1	1,046.7	(773.8)	0.0	(185.8)
Stabilization Fund Balance	847.9	0.0	0.0	847.9	0.0
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	165.1	0.0	26.1	0.0	139.0
SUBTOTAL, FISCAL YEAR 2005 BEGINNING BALANCES	1,100.2	1,046.7	(747.6)	847.9	(46.8)
REVENUES AND OTHER SOURCES					
Taxes	13,969.8	13,058.5	600.0	0.0	311.3

Taxes	13,969.8	13,058.5	600.0	0.0	311.3
Federal Reimbursements	5,133.9	5,128.9	2.5	0.0	2.5
Departmental Revenue	2,308.0	1,376.8	438.5	6.5	486.2
Consolidated Transfers	1,537.9	2,026.3	(45.7)	0.0	(442.7)
SUBTOTAL, FISCAL YEAR 2005 REVENUES	22,949.6	21,590.5	995.4	6.5	357.2
TOTAL, FISCAL YEAR 2005 AVAILABLE RESOURCES	24,049.7	22,637.2	247.7	854.4	310.4
EXPENDITURES AND USES					
Direct Appropriations	21,735.7	20,384.0	891.7	0.0	460.1
Balances Forward for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0
Authorized Spending from Retained Revenue	582.2	578.6	3.6	0.0	0.0
Lottery Distributions to Cities and Towns	661.4	661.4	0.0	0.0	0.0
Contingency Reserve	0.0	0.0	0.0	0.0	0.0
Anticipated Reversions	0.0	0.0	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2005 EXPENDITURES	22,979.3	21,623.9	895.3	0.0	460.1
END OF FISCAL YEAR RESERVED BALANCES					
Reserved for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	26.1	0.0	26.1	0.0	0.0
Budgeted Inter-Fund Transfers	0.0	0.0	0.0	0.0	0.0
Non-Budgeted Fund Transfers	0.0	0.0	0.0	0.0	0.0
FISCAL YEAR 2005 UNDESIGNATED FUND BALANCE	1,044.3	1,013.3	(673.7)	854.4	(149.6)
Balances Reserved in Other Budgeted Funds	(880.8)	0.0	0.0	854.4	26.4
STATUTORY CARRY FORWARD TO FY2006	79.4				
STATUTORY TRANSFER TO STABILIZATION FUND	79.4				
FISCAL YEAR 2005 SURPLUS	4.8				
FISCAL YEAR 2005 ENDING BALANCES					
Undesignated Fund Balance	105.7	932.9	(673.7)	0.0	(153.5)
Stabilization Fund Balance	938.6	0.0	0.0	938.6	0.0
Tax Reduction Fund	0.0	0.0	0.0	0.0	0.0
Reserved or Designated Fund Balance	26.1	0.0	26.1	0.0	0.0
TOTALS, FISCAL YEAR 2005 ENDING BALANCES	1,070.5	932.9	(647.6)	938.6	(153.5)